



Land McKaig

Late Mail March, 2011 - Issue 25

Inside this issue:

Knowing when to change your business structure	1
ATO Firmer Action Approach to Debt Collection	2
Wealth Management Corner	3
Queensland Natural Disaster Assistance	4

"Nothing great in the world has ever been accomplished without passion"

- G.W.F HEGEL

Dates to remember:

- 9th April, 2011: Xstrata Cyclone Relief Concert NQ @ Tony Ireland Stadium 2pm—7.30pm
- 17th April, 2011: Burdekin Auto Festival, Car & Bike Show @ Ayr Showgrounds
- 22nd April to 25th April, 2011: 2011 Australian Kiteboarding National Titles @ Alva Beach
- 22nd April, 2011: Good Friday Public Holiday
- 23rd April, 2011: Easter Saturday Public Holiday
- 25th April, 2011: Anzac Day Public Holiday
- 26th April, 2011: Easter Monday Public Holiday
- 28th April, 2011: Due Date for lodgement of Jan—Mar 2011 BAS—if not lodged through your tax agent
- 29th April to 1st May, 2011: Charters Towers Country Music Festival
- 2nd May, 2011: Labour Day Public Holiday
- 7th May, 2011: Cairns Blues Festival
- 21st May, 2011 Burdekin Grower Race Day @ Burdekin Race Club, Home Hill
- 13th June, 2011: Queen's Birthday Public Holiday

Knowing when to change your business structure

For successful businesses, simple business structures often do not work. They leave you risk exposed, are ineffective for tax purposes, and are not efficient for succession or sale. In the early stages of business life the philosophy often is; keep it simple and low cost. This may mean trading as a sole trader, in partnership, or through a simple company structure. Where the business stays small this can be entirely appropriate and may serve you well for the lifetime of the business.

However, if your expectations are greater than this, or you can see that your business is likely to grow in a significant way, then you will need to change structure at some stage. Successful fast growth businesses typically operate through a mix of company and trust structures. These structures are not for show. They create separation, tax efficiency, help to risk manage your business interests and allow for orderly transfer at the appropriate time.

The challenge is; when is the right time to put in place a more efficient structure? The answer is the earlier the better. Change comes with a cost. You can be exposed to capital gains tax and stamp duty, and this can be expensive and a distraction from the main focus of your business growth. If you have a very clear vision for your business and it is going to grow to a significant size then there is a lot of merit in putting the basic structure in place at the beginning. Equally, if your plan is to maintain a micro-business, keep it simple and don't be seduced by advice that over complicates what you need. Your structure should be appropriate and consistent with your expectations for the business—be they large or small.

If you have a clear vision at the beginning then the question of how to get your structure right can be an easier question to answer. For many business operators though, the reality is that you are not sure. You may start off small and the business booms with growth exceeding your expectations. Or, you may have hopes for something significant, but also know that it might not work. So, if you're in this situation, what are the signs that it is time to make the change?

The first should be when you can identify that there is significant value building in your business. This might be reflected by the assets held in the business or the development of goodwill or intellectual property. The existence of these assets means that you should be considering risk protection and ways to protect against the unexpected. Ideally, significant capital assets of the business should be separated from the operating structure.

The second sign is where you can see a material increase in your tax exposure. As your business grows, so too should your profits and your earnings from the business. And, in some cases profits and cash will not mirror each other. Typically cash lags profits, so you might be dealing with the tax on profits that are not readily available to you. Apart from the fact that you don't want to pay any more tax than necessary, the right structure can help to manage tax impacts and the timing differences between profits and cash.

Finally, if you are expecting to sell your business or to introduce other partners or shareholders, then the right structure can make a huge difference. To maximize your access to tax concessions and in particular the CGT small business concessions, you need to have your structure right in advance of any changes.

There are some ways to manage the tax costs associated with a change in structure. The first thing to do is to identify the structure that is right for your business. From there, quantify the cost of any change and the best way to put it into effect.

If you would like to ensure that your business structure is right for you now and in the future, talk to us today.

Article taken from Knowledge Shop client newsletter—March 2011 edition.

ATO Firmer Action Approach to Debt Collection

The ATO have introduced a new policy for debt recovery. Below is some information taken from the ATO website:

Our firmer action approach

To ensure that we maintain a level playing field for taxpayers, there are situations where we need to take firmer action to recover outstanding tax debt. Our approach takes into account individual circumstances to determine the appropriate firmer action to take.

Firmer action will not be taken if you are complying with an agreed payment arrangement, including lodging and paying current obligations on time.

<p>When is firmer action taken?</p>	<ul style="list-style-type: none"> • you choose not to work with us despite multiple attempts by us to contact you • you repeatedly default on your payment arrangements • your debt is escalating and there is no evidence that you will be able to meet your ongoing tax obligations • you have been subject to an audit where deliberate avoidance was detected and payment avoidance is continuing • for business operators, where there is evidence that liquidation is being used to avoid financial obligations, without risking assets and with the full intention of resuming business operations through a new entity (known as 'phoenix' activity).
<p>What is firmer action?</p>	<p>One or more of the following actions:</p> <ul style="list-style-type: none"> • issuing a notice to a third party (for example a bank) who owes you money or holds money on your behalf requiring them to pay all or part of that money to the ATO (known as a garnishee) • initiating bankruptcy or wind-up proceedings, beginning with the issuing of a summons/statutory demand • pursuing company directors personally for the PAYGW component of the debt (director penalties) • issuing a writ/warrant of execution authorizing the seizure and sale of your property to pay a judgment debt plus costs • in rare circumstances requiring you to pay a bond or provide security in respect of any tax-related liability that we think may be at risk of not being paid.
<p>What can you do if firmer action is being taken?</p>	<ul style="list-style-type: none"> • pay in full, or • we will consider deferring firmer action if you make an agreed lump sum payment towards your outstanding tax debt and enter into a direct debit payment arrangement for the balance of the debt • for businesses with a debt greater than \$100,000, you will need to demonstrate that your business is viable before firmer action is deferred. We will explain all the information required to assess the viability of your business.

Wealth Management Corner

In this issue: we sadly say good bye to one of our staff members, I give you four very quick lessons to consider with financial markets, plus some simple end of financial year tax tips.

⇒ GOOD-BYE ROSANNE

Our Financial Planning officer in Ayr branch Rosanne Scuderi, left us recently on Friday 25th March to pursue a career in the travel industry. We take this opportunity to thank her for her valuable contribution to the Wealth Management division and wish her all the very best in her new career venture - I have no doubt she will be very successful.

⇒ FOUR LESSONS FROM THE FINANCIAL MARKETS

1. **Markets move in cycles** - They go down, but history has shown us that they always recover. Similarly, markets that rise excessively will eventually come crashing down, so beware of buying into investment bubbles. The best approach is to accept market volatility, stick to your strategy and don't panic. By withdrawing from the market you could be robbing yourself of the most valuable gains.
2. **Diversification reduces risk** - Because it's impossible to predict market movements, one way to manage market risk is to maintain a diversified portfolio. Spreading your investments across a range of carefully diversified assets, will minimise the risk and smooth your returns. Your Land McKaig financial adviser can help you learn about funds and investments that will help to diversify your portfolio.
3. **'Time-in the market' not 'Timing the market'** - Be patient, especially if you are investing for the mid to long term. When things look bleak it's important to keep your goals in focus. Getting out of the market could mean you miss the rebound and the returns that go with them.
4. **Start early, save regularly** - The sooner you start investing and the more often you do it, the better. Setting up a regular savings plan takes the guess work out of trying to find the right time to make an investment. It's called dollar cost averaging which basically means investing regularly across all levels of the market. Starting now will give your money time to grow through the power of compounding.

⇒ END OF FINANCIAL YEAR TAX TIPS

It's never too early to start planning for the end of the tax year. The most effective strategies are often the simplest and can be applied anytime before 30 June - sometimes the earlier the better. Please take the time now to consider the following strategies and how they might work for you:

- Make sure you hold assets in the most appropriate tax structure. Individuals, companies, trusts and super funds are all taxed differently on their capital gains and income.
- Use franking credits to reduce tax on lower taxed entities like super funds and lower income earners. Remember that excess franking credits are refundable.
- Income split wherever possible to take advantage of the progressive tax system.
- Ensure you get capital gains tax concessions by holding assets for more than 12 months.
- Review income distributions from family trusts. You can lose franking credits in some circumstances if a family trust election is not made.
- Defer non-essential income until the new financial year.
- Review your investment portfolio to determine whether investments should be sold to offset any capital gains or losses made throughout the year.
- Maximise tax deductions through super contributions. Alternatively, make a contribution into super for your spouse - this could provide you with a tax offset.
- Borrow to invest through home equity loans, margin lending or protected equity loans and pre-pay the interest.

Take care with "tax-effective" investments - One of the golden rules when considering any investment is to focus on the quality and prospects of the assets and treat any tax advantage as a bonus. The message in some end-of-year product marketing is that the tax deductions are all that matter. The long-term prospects of some "tax-effective" schemes are uncertain. The investments are usually illiquid and can have high fees but with potentially excellent returns. We invite you to contact us to explore all your individual 2011 tax planning opportunities further... but please don't leave it until the last minute.

THOUGHT FOR THE MONTH - "He that won't be counselled, can't be helped" - Benjamin Franklin.

Of course, everyone has a different set of circumstances and objectives. If you are wondering how to best apply these lessons and tips to your situation, Land McKaig Wealth Management can assist.

Until next time - kind regards,

**Peter Nielsen - Adv Dip FS (FP)
Partner & Senior Adviser, Land McKaig Wealth Management**



Land McKaig
Certified Practising
Accountants

Townsville Office

Suite 2
 163 Charters Towers Road
 HERMIT PARK QLD 4812

PO Box 3636
 HERMIT PARK QLD 4812

Phone: (07) 4755 0433
 Fax: (07) 4755 0844

Home Hill Office

96-98 Eighth Avenue
 HOME HILL QLD 4806

PO Box 560
 HOME HILL QLD 4806

Phone: (07) 4782 2733
 Fax: (07) 4782 2020

Ayr Office

54-60 Queen Street
 AYR QLD 4807

PO Box 1305
 AYR QLD 4807

Phone: (07) 4783 3944
 Fax: (07) 4783 3100

Queensland Natural Disaster Assistance

- **For home owners and tenants**

*No income or assets tests apply
 (you may be insured)*

Emergent Assistance Grant

\$170 per person, up to a maximum of \$850 for a family of five or more. For people experiencing immediate hardship.

Plus

**Premier's Disaster Relief Appeal
 Emergency Assistance**

\$2,000 per adult and \$1,000 per dependent child if the living area of your primary place of residence was inundated. The Premier's Disaster Relief Appeal has been extended to cover victims of Tropical Cyclone Yasi, but applications for funding are not yet open. A first round of funding will be made available as soon as possible. The website www.qld.gov.au/cyclone will be updated with application forms and criteria as soon as they are available.

Plus

Centrelink Disaster Recovery Payment

\$1,000 per eligible adult and \$400 per eligible child for people adversely affected by the disasters, including if your home was without essential services such as water, gas or electricity for at least 48 hours.

Plus for people with a mortgage

Mortgage Relief Loan

You may also be eligible for an interest free mortgage relief loan of up to \$20,000 if you are experiencing financial distress and are in danger of losing your home.

- **For home owners and tenants**

*Income and assets tests apply
 (and unable to claim on insurance or uninsured)*

Essential Household Contents Grant

Up to \$1,705 per adult and up to a maximum of \$5,120 for couples/families to replace uninsured essential household contents such as cooking utensils, clothing, linen or white goods.

Plus for homeowners and people with a mortgage

Structural Assistance Grant

Up to \$10,500 per adult and up to a maximum of \$14,200 for couples/families to contribute to the repair of a home to a habitable and secure condition.

Plus

Essential Services Safety and Reconnection Grant

Up to \$200 per safety inspection for essential services including electricity, water, gas and sewerage/septic systems, and up to \$4,200 for subsequent repairs to bring utilities up to Australian Standards by licensed tradespeople.

- **For businesses and primary producers**

Disaster Income Recovery

Disaster Income Recovery Subsidy is available from Centrelink to assist employees, small business people and farmers who have had a loss of income as a direct result of the natural disaster.

Assistance for businesses

For other support services for small business, tourism operators and primary producers, call the Department of Employment, Economic Development and Innovation (DEEDI) on 13 25 23 or visit www.business.qld.gov.au

Contact details

QRAA 1800 623 946 or visit www.qraa.qld.gov.au
 DEEDI 13 25 23 or visit www.deedi.qld.gov.au
 Centrelink 180 22 66 or visit www.centrelink.gov.au